

SUMMARY ANALYSIS OF AMENDED BILL

Author: Torrico Analyst: Matthew Cooling Bill Number: AB 1049
 Related Bills: See Prior Analysis Telephone: 845-5983 Amended Date: April 22, 2009
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Safely Surrendered Baby Fund

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended April 2, 2009.

X

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS TECHNICAL CONCERNS stated in the previous analysis of bill as amended April 2, 2009.

X

X FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED

X

April 2, 2009, STILL APPLIES.

X

OTHER – See comments below.

SUMMARY

This bill would allow taxpayers to make voluntary contributions to the Safely Surrendered Baby Fund on their state personal income tax returns.

SUMMARY OF AMENDMENTS

The April 22, 2009, amendments included one of the technical amendments recommended and incorporated the second recommended amendment from our April 2, 2009, analysis inaccurately.

The "This Bill" and "Economic Impact" discussions of the bill as amended April 2, 2009, are repeated below for convenience. Except for the revised "Technical Considerations" discussion, the remainder of that analysis still applies.

POSITION

Pending.

Board Position:

____ S
 ____ SA
 ____ N

____ NA
 ____ O
 ____ OUA

____ NP
 ____ NAR
 ____ X PENDING

Asst. Legislative Director

Date

Patrice Gau-Johnson

05/11/09

ANALYSIS

THIS BILL

This bill would establish the Safely Surrendered Baby Fund and would allow taxpayers to designate their own funds (not tax liability) for contribution to the fund on their personal income tax returns in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the original return for the taxable year and, once made, are irrevocable.

This bill would require FTB to revise the personal income tax return to include a designation space for the fund beginning with the first taxable year another voluntary contribution fund is removed.

For the second taxable year the fund is on the return, this bill would require the fund to meet the \$250,000 minimum contribution test. FTB is required to estimate by September 1 of any calendar year after the first taxable year the fund appears on tax returns that contributions made under this bill will be less than \$250,000 (as indexed for inflation). The law authorizing designations for this fund would be repealed if contributions made under this bill will be less than the minimum contribution amount.

This bill would allow the voluntary contribution designation to remain on the tax return for five years unless a later enacted statute deletes or extends that date.

Beginning with the third calendar year after the fund appears on the personal income tax return, FTB would adjust the minimum contribution amount for the fund by September 1, of that year. The minimum contribution amount would adjust according to the California Consumer Price Index (CCPI), as specified.

This bill would specify that if payments and credits reported on the return do not exceed the taxpayer's liability, then the taxpayer's return shall be treated as if no designation has been made. If no designee is specified, a designated contribution amount would be transferred to the General Fund.

This bill would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the Safely Surrendered Baby Fund.

TECHNICAL CONSIDERATIONS

The department's technical consideration for "original" return (Amendment 1) discussed in the analysis of the bill as amended April 2, 2009 has been resolved. The technical consideration for "tax" liability (Amendment 2) in that analysis has not been resolved.

Amendments 1 and 2 provided below would correct the improperly incorporated amendment in the department's analysis as amended April 22, 2009.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

| Estimated Revenue Impact of AB 1049 Effective On or After January 1, 2010 Enactment Assumed After June 30, 2009 | | |
|---|-----------|-----------|
| 2009-10 | 2010-11 | 2011-12 |
| No Impact | -\$15,000 | -\$15,000 |

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

The revenue impact of this bill would be determined by the amount of contributions to the Safely Surrendered Baby Fund, and the subsequent claim of those contributions as itemized deductions.

For this estimate, the following assumptions are made:

1. The Fund would be added to the 2009 return,
2. The minimum contribution amount (\$250,000) would be achieved each year, and
3. An itemized deduction would be allowed and claimed for each contribution.

This analysis assumes this fund would be officially designated for returns starting with the 2009 tax year, contributions would be claimed when the return is filed in the following year, and the minimum level of contributions (\$250,000) would be achieved each year.

If an itemized deduction is claimed for every dollar contributed to the fund and affected taxpayers have an average marginal tax rate of 6.25 percent, the estimated revenue loss of this bill would be approximately \$15,000 annually ($\$250,000 \times 6.25\% = \$15,625$).

LEGISLATIVE STAFF CONTACT

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|-------------|-----------------|
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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 1049
As Amended April 22, 2009

AMENDMENT 1

On page 3, line 5, strikeout "tax"

AMENDMENT 2

On page 3, line 6, before "liability" insert:

tax